

APEC at Yokohama: What Should We Expect?

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After Bogor, Whither?

The Bogor Goals of realizing free trade and investment in the Asia-Pacific region by 2010 for developed economies and by 2020 for developing economies, which APEC adopted in 1994, were bold and broad. Now it is 2010 and, in a much-changed world, the APEC ministerial and summit meetings in Yokohama cannot avoid an assessment of the extent to which the Bogor Goals have been fulfilled.

There was never any prospect of total attainment of the Bogor Goals. “Free trade and investment” was always too ambiguous for conclusive success. What some see as reasonable controls in the interests of consumer safety appear to others to be barriers to trade. Social constraints on investment are equally contested. In the late 1990s, officials were reluctant to engage in what seemed like academic debate about the meaning of the goals; simplicity has costs and now they (or their successors) have to face inevitable journalistic labels of failure.

Since 1994, the goalposts have shifted. “Free trade and investment” was bold in 1994. It was wider than “no tariffs” but it was still much less wide than the regional ambition of economic integration has become. When tariffs are reduced, attention is directed elsewhere, for example, to nontariff barriers, especially sanitary and phytosanitary requirements. Technical standards also become significant barriers. Subsidies, especially but not only subsidies on exports, distort trading opportunities. It is no accident that APEC discussion has become dominated by “behind-the-border issues” and by the “Leaders’ Agenda on Implementing Structural Reform.” The days when “free trade and investment” was an adequate goal seem remote.

Even in 1994 it was inconceivable that the United States would agree to free trade and investment inward while China maintained barriers to US exports and outward investment, and it remains inconceivable now. That the United States signed up to such a commitment reflects an optimistic belief that China and other economies would “graduate” to developed status by 2010, or, more likely, simple reliance on 2010 being a long way away. The long term tends to come home to roost.

Nevertheless, as was clear from a mid-term review conducted a little after the half-way point between 1994 and 2010, and from papers circulated within APEC this year – especially for the five developed APEC members Australia, Canada, Japan, New Zealand and the United States, and eight other members who volunteered to be reviewed – there is a reasonable story which will be told about the Bogor Goals at Yokohama. Good progress has been made, and there is more to be done.

We should, therefore, expect a generally positive evaluation of the Bogor Goals from Yokohama, which will be endorsed by serious commentators and treated with skepticism if not derision in more popular media.

Likely Responses

Questions will be raised about the extent to which the progress made since 1994 should be attributed to APEC. Hasn’t most liberalization been done through the WTO or by unilateral decision? The question is reasonable, but APEC has facilitated the policy developments which result in WTO commitments or unilateral decisions. The same line of questioning would query the significance of the WTO. It records commitments to “bound” tariff rates which lag some time behind reductions in the tariff rates that are applied. The crucial decisions remain those of individual economies. APEC and other international cooperation processes resemble organizations like Alcoholics Anonymous. Participants know perfectly well what is in their interests and that the future is in their own hands, but they find it helpful to come together with others who share the same objectives and face the same difficulties to compare progress and offer mutual support.

Yokohama will, therefore, present an evaluation of the Bogor Goals which is generally positive. And it will be well justified.

Issues for the Future

Questions will also be asked about what remains to be done. At Yokohama, APEC may show its vision of the path ahead on some big issues.

While there will be a ritualistic statement about the desirability of completing the Doha Round, one big issue is the future mechanism for economic integration now that WTO rounds seem unable to cope with the wider distribution of economic power in the world. Support for the WTO at Yokohama will really be to avoid damage to the principle of multilateralism, to maintain dispute-resolution mechanisms and to express willingness to participate when there is a prospect of political commitment sufficiently widespread to make agreement possible.

The best prospect for liberalization – for changing the framework within which cross-border business works in such a way as to promote economic welfare – seems to be a network of bilateral and plurilateral agreements covering the wide agenda of contemporary integration. To maintain the principle of multilateralism and to avoid loss of “most favored nation” treatment, which has been central in WTO rounds, accession clauses of the individual agreements should not be restrictive. There will always be some negotiations about how the terms of an existing agreement should apply to the particular circumstances of a newly adhering economy, but terms of entry should not create barriers which act only to secure the preferential position of existing members. APEC at Yokohama can commit itself to a form of accession clause that is progressive for liberalization, and by conceiving the TPP and FTAAP as a set of consistent agreements rather than a common set of commitments by all parties, it can define the path of future economic integration.

GATT rounds of trade liberalization talks

Rounds		Major targets
1947	Geneva	Tariffs
1949	Annecey	Tariffs
1951	Torquay	Tariffs
1956	Geneva	Tariffs
1960–61	Geneva (Dillon Round)	Tariffs
1964–67	Geneva (Kennedy Round)	Tariffs & antidumping measures
1973–79	Geneva (Tokyo Round)	Tariffs, nontariff measures, framework agreements
1986–94	Geneva (Uruguay Round)	Tariffs, nontariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc.

Source: "World Trade Survey," *The Economist*, October 3, 1998

A second issue will be the future of *Asia-Pacific* coverage of economic integration. *Asian* economic integration is going to proceed in one or more of ASEAN, ASEAN plus Three, and East Asia Summit. There were contesting visions of APEC even before the Bogor Goals, but a common element was a desire to avoid a separation between the West and East Pacific. The best formulation was that APEC would use Asian processes to reach agreement on objectives and that appropriate elements would be formalized through the WTO (so satisfying a US legal requirement that liberalization be based on reciprocity). The same issue now appears as the basis on which the United States will engage with Asian economic integration. Note that the issue is engagement, not necessarily undifferentiated membership in all Asian economic integration processes. However, one of the ways in which the world has changed since 1994 is in the creation of a G-20 for discussion of global economic policy issues while momentum has built up for Asian economic integration. Yokohama could point towards the future of the Asia-Pacific. Much depends on the stance of the United States, especially whether the rhetoric of the administration can secure congressional endorsement, but the Asia-Pacific is more than East Asia and the United States. Canada and Latin American members of APEC are also important.

Closely related to the first issue specified above will be indications of the coverage of future integration. In both Asia and the Asia-Pacific, the place of agriculture remains sensitive, but so do issues like intellectual property and government procurement. While much will seem familiar, the underlying task is to accommodate new issues on the international agenda. How will environmental issues (and climate change) be incorporated within economic integration? Some will seek to pursue a traditional approach of negotiating privileged positions for exports which can be described as environmentally significant; APEC will have a more important future if it looks to promote cooperation on important issues like locating the optimal balance of mitigation and technical advance as responses to global warming. Another inescapable new issue is movement of people – not permanent migration but crossing national boundaries for lengthy periods of employment – which will be characteristic of the future international economy. Equally important will be progress towards defining Asian or Asia-Pacific approaches to global responses to "balanced" and "inclusive" growth. Avoiding inconsistencies in macroeconomic strategy is a field especially suitable for the G-20, but how the Asia-Pacific relates to the G-20 is within the mandate for APEC. The apparently bureaucratic issue of integrating the "Finance Ministers' Process" within the APEC mechanisms which report to the "Ministers Responsible for Trade" and managing collaboration between trade ministers and foreign ministers is really about securing a common understanding of the whole process of economic integration.

We should also look at Yokohama for indications of the modality by which regional integration is going to proceed. International modalities will not necessarily be processes regarded as standard in North America and Europe. The APEC (originally PECC) concept of "open regionalism," which was simply oxymoronic to those deep in traditional Western discussion of regionalism, is now widely accepted, albeit in a somewhat diluted form – meaning essentially with accession clauses that are not restrictive. The broader notion of reducing barriers among parties to an agreement without raising

them against nonmembers should be revisited. Just as the Bogor Goals were followed by the Osaka Action Agenda and the Manila Action Plan as APEC devised mechanisms for building collaboration around agreed objectives and self-appraisal of progress, so we should look for indications of how APEC expects to work in the future as it deals with a wider agenda and a different international setting. We might look for a resurgence of "concerted unilateralism," probably in the form of collegial debate about where it is appropriate to use binding legalities and where progress is more likely through agreed objectives and periodic reporting on progress.

The Future of APEC

Reporting from Yokohama will focus on the APEC Economic Leaders' Meeting (AELM). Any meeting which brings together the presidents of the United States, China, South Korea and Russia as well as the prime minister of Japan and more than a dozen other economic leaders is inherently newsworthy, but the modern media requires some soundbites for instant transmission. In reality, the two key roles of the AELM are to allow the leaders to discuss in meetings of the whole, in smaller groups and bilaterally whatever is at the top of their agendas and to create a timetable for reviewing the work that has been done in APEC working groups. As elsewhere, a major purpose of meetings is to create a deadline by when thinking and consultation have to conclude. So the real news from Yokohama will be endorsement of work on trade facilitation, on removal of barriers to trade within the "spaghetti bowl" of regional agreements and similar apparently technical topics. It will not attract a great deal of media interest, but it will show whether the momentum of Asia-Pacific integration is likely to be maintained.

In particular, it will indicate the state of Asian commitment to the Asia-Pacific relative to community-building in Asia. This will be especially important as we look forward to successive years in which APEC is chaired by the United States and Russia.

The Bogor Goals may be succeeded by a "Yokohama Vision." Filling in the gaps where developed economies have not realized a reasonable interpretation of the Bogor Goals and waiting for 10 years to make assessments of developing economies is hardly inspiring, even if the most important task is to maintain the spirit of Bogor in a much changed international setting. We now face a more varied but more interdependent global environment. Perhaps in the tradition of "open regionalism," "concerted unilateralism" and "cooperative security," we should look to Yokohama for an indication of whether the Asia-Pacific region will take a leading role in economic integration in a world characterized by "equality with differences." **JS**

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